

Utah Basin Advisory Network Meeting Minutes

March 13, 2012 10:00 a.m. MT

Participants

Bret Sumner, Beatty & Wozniak, State Chair
Brad Rogers, Newfield
Eric Dillé, EOG Resources
Sam Knaizer, Newfield
Bob Larocque, QEP Resources
Richard Bell, Petros Environmental
Bill Shearer, Kleinfelder

Tim Hamilton, Fountainhead
Marie Durant, Holland and Hart
Jim Felton, Bill Barrett Corp.
Chris Freeman, Berry
Lowell Braxton, Western Energy Alliance
Kathleen Sgamma, Western Energy Alliance
Spencer Kimball, Western Energy Alliance

Ongoing Issues

Legislative Session: Lowell gave a brief summary of the legislative session.

- Split Estate: SB77, which was introduced by Sen. Van Tassel and ultimately supported by the Farm Bureau and others, passed. The bill requires DOGM to develop rules that support the legislation. That rulemaking should begin shortly and will last approximately four to six months.
- Eminent Domain: A recent Utah Supreme Court decision noted that Utah's eminent domain statutes do not extend to owners of oil and gas deposits. A bill, supported by SITLA and others, to amend the Utah Code to recognize that eminent domain does extend to owners of oil and gas deposits passed.
- Hydraulic Fracturing: The Senate passed a concurrent resolution that urges Congress to formally delegate regulatory authority for fracking to the states.

Uinta Basin Air Quality Working Group Update: Researchers recently finished the necessary field work and have released some preliminary data regarding wintertime ozone levels. Very little snow fell in the basin this winter, and the study team could not replicate meteorological conditions without snow on the ground. The average reading in the basin was 36 ppb, with a max reading of 50 ppb. These low readings will help keep EPA from designating the basin as non-attainment for ozone. Preliminary results will be released in June and the final report will be ready in October.

The researchers are still looking at source apportionment as part of the study. Lowell reported that many operators have had to use evaporation ponds for flowback fluids over the last several years because EPA has been unable to permit UIC wells in a timely manner. These evaporation ponds could be a major emissions source. Scott Hill, USU, is collecting production and activity data from companies for the study's source review. Please provide data to Scott by April 30 and contact Kathleen for more information.

Greater Sage Grouse Committee: BLM is currently amending up to 68 Resource Management Plans (RMPs) with new guidance for sage grouse, and will use a new report from the BLM Sage-Grouse National Technical Team as the basis for new sage grouse restrictions for oil and gas development on public lands. BLM has also released an Interim Management IM, which

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provides guidance for the management of greater sage-grouse habitat while BLM updates the RMPs.

Through the IM, BLM will allow State's sage grouse conservation policies to supersede this IM as long as they been approved by the Fish and Wildlife Service (USFWS) and adopted by the BLM through a state-specific IM. The Interim Management IM won't apply in Wyoming because its guidance has already been approved and adopted. In Utah, the Governor's Office has assembled a committee, that includes BLM, the State, oil and gas, mining, utilities, ranchers, and others to collaboratively develop a state-level management strategy for greater sage-grouse. Western Energy Alliance has formed a working group to address the potential strategy and support industry's position on the committee. We recently hired a consultant to prepare maps that show various oil and gas development and resource potential across the state, which will be used during the committee's future discussions. **Action Item:** Continue to advocate against excessive restrictions within the committee.

Hookless Cactus: The USFWS is proposing to designate 400-foot (level one) and 1,000-foot (level two) setback areas around occupied and unoccupied hookless cactus habitats in the Uinta Basin, and these areas are being called "Core Conservation Areas." Apparently, no oil and gas activity would be allowed within these setback areas. It is our understanding that USFWS has asked BLM to cease the permitting of oil and gas activities in these areas until USFWS finalizes its recovery plans for these species, which is not expected until December 2012. Industry contends that the number of plants in the basin is far more than what was called for in the 1999 recovery plan, but USFWS is still pushing for an aggressive plan that could prevent development in thousands of acres of habitat in the basin.

On behalf of CESAR (the Center for Environmental Science, Accuracy, & Reliability), Dr. Rob Ramey has initiated a review of the various studies and materials that support the listing decision and FWS' management policies. We hope that his findings will be useful as we continue to advocate against needlessly restrictive setbacks. **Action Item:** Aggregate company survey data including numbers, general locations, collection dates, and maps; varying survey and setback requirements from USFWS; and other information that can be used to advocate against unreasonable setbacks and mitigation requirements.

New Issues

Moab/Monticello MLP: BLM is developing a Master Leasing Plan (MLP) for just under 800,000 acres in the Moab and Monticello planning areas. BLM has proposed a leasing moratorium in that area until they finalize the MLP, which could take three years or more. Western Energy Alliance will submit comments on the MLP, which are due May 4.

RMP Litigation: Bret reported that SUWA's challenge to the 6 RMP revisions from 2008 is active once again. Settlement negotiations have been unsuccessful and the case was recently transferred to Utah federal court.

Next Meeting: Tuesday, April 10, 10:00 am MT

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Utah 2011 Accomplishments

2011 was an incredibly successful year for Western Energy Alliance as the trade association focused exclusively on Utah upstream oil and gas issues. We effectively advanced our members' interests in public lands, regulatory, and legislative matters affecting oil and gas development in Utah:

- ✓ Helped overturn Secretary Salazar's "wild lands" policy by engaging counties, state legislators, and other stakeholders in Utah and across the region.
- ✓ Secured \$1.125 million for the Uinta Basin Wintertime Ozone Study and provided key technical input to protect industry's interests in a critical study for addressing high ozone readings while ensuring continued development in the basin.
- ✓ Rolled out the *Blueprint for Western Energy Prosperity* to a wide variety of stakeholders across Utah and the West, regularly conducting outreach to diverse groups such as the Rural Coalition, Utah Farm Bureau, professional societies, and the Uinta Basin Oil and Gas Collaborative Group.
- ✓ Prevented all harmful legislation in the 2011 legislative session in coordination with the Utah Petroleum Association, including bills regarding surface owners' protection and revisions to the severance tax code. Successfully passed a bill requiring plaintiffs to post a bond when challenging oil and gas permits, and secured state funding for regulatory staff to address Uinta Basin air quality issues.
- ✓ Convinced the Utah Division of Wildlife Resources (DWR) to incorporate more favorable guidelines into Utah's new management policy for sage grouse and educated various stakeholders about the policy's impact on future development, jobs, and investment.
- ✓ Executed the most successful Utah Call-Up to date, where we successfully increased the visibility of air quality issues preventing development in the Uinta Basin to BLM, the Governor's Office, Division of Air Quality, Uintah County and other stakeholders.
- ✓ Provided leadership on public lands issues in Utah, including leasing, permitting, wilderness, Master Leasing Plans (MLPs), and Resource Management Plans (RMPs).
- ✓ Provided the industry voice in a variety of regulatory issues including county setbacks, carbon capture and sequestration, air quality permit-by-rule, and hydraulic fracturing chemical disclosure.
- ✓ Elevated the negative impact of U.S. Fish & Wildlife Service (USFWS) setbacks around hookless cactus habitat that are halting development in the Uinta Basin to key decision makers and stakeholders.

The above accomplishments would not have been possible without our Utah Representative, Lowell Braxton. Lowell's strong relationships with Utah's top decision makers and stakeholders, service on prominent advisory boards, and institutional knowledge make him a critical on-the-ground component of our advocacy efforts in Utah and across the West. Lowell continues to serve our industry as he:

- ✓ Develops and strengthens relationships at all levels of government by interfacing regularly with the BLM state and field offices, the Governor's office, county commissioners, Department of Environmental Quality (DEQ), Division of Oil Gas & Mining (DOGM), School and Institutional Trust Lands Administration (SITLA), other state agencies, the Utah Congressional delegation, state legislators, business groups, trade associations, and other allies to represent the interests of member companies
- ✓ Provides leadership in key Utah groups:
 - Chairman of the BLM Utah Resource Advisory Council (RAC)
 - Governor Herbert's 10-Year Strategic Energy Plan advisory committee
 - Vice Chair of the Utah Grazing Advisory Board
 - Uinta Basin Oil and Gas Collaborative Group
 - Division of Air Quality advisory group
 - Utah Rural Coalition
 - Utah Mining Association, Utah Petroleum Association, Southeastern Utah Energy Producers Association, and the Utah Association of Professional Landmen

Plans for 2012:

- ✓ Provide industry leadership for the Uinta Basin Wintertime Ozone Study to ensure continued development in the Basin
- ✓ Advocate for a favorable sage grouse management strategy in Utah
- ✓ Push back on excessive setbacks around hookless cactus habitat from the USFWS
- ✓ Formulate and test ideas for comprehensive federal onshore program reform using our established connections with BLM state and field offices in Utah, and apply that bottom-up experience to the national program
- ✓ Ensure eminent domain can be used to access oil and gas resources
- ✓ Represent industry in county-proposed wilderness efforts
- ✓ Increase participation in FracFocus.org for fracking chemical disclosure
- ✓ Prevent all harmful legislation in coordination with the Utah Petroleum Association, including an unfavorable surface owners' protection bill



What Is the Value of Your Membership?

In 2011, the value of Western Energy Alliance's work was over \$1.2 billion

Keeping Industry's Message at the Forefront

- Released the *Blueprint for Western Energy Prosperity*, Western Energy Alliance's most ambitious public outreach effort to date. Using the *Blueprint*, reached out to a broad array of over 13,842 stakeholders at the local, state and federal levels for a value of **\$186,000**.¹
- Brought our message to 2,367 westerners in civic, business, agricultural, academic, community and other stakeholder groups at 38 events.
- Increased contacts with policymakers by 62% over 2010, reaching out to 7,655 local, state and federal policymakers and 2,917 allies for a value of **\$756,300**.²
- Answered 580 media inquiries, 364 generated by Western Energy Alliance, resulting in 371 stories in regional and national media. Highlights include the Associated Press, *Washington Post*, *Wall Street Journal*, *New York Times*, Fox News, fifteen editorials, and countless blogs, for a media value of **\$1,289,000**.³
- Marketed the western industry message through collateral such as the calendar and Call-Up brochure, the Natural Gas Vehicle, and a lobby exhibit – **\$176,000**.

Total value to members: \$2,407,300

Preserving Access to Public Lands

- Achieved a legal victory and overturned Interior's categorical exclusions policy.
 - Direct value of the lawsuit - **\$140,000**⁴
 - Nationwide injunction against a Salazar policy that slowed permitting – priceless.
- Working with stakeholders across the West, helped overturn the Wild Lands policy.
- Achieved a partial legal victory on our unissued leases lawsuit, which helped compel the issuance of **\$85.8 million** in leases and refunded fees.

¹ Cost of developing the *Blueprint*, contract outreach, video production, and member volunteer time.

² Estimated at five full time staff, plus contractor costs.

³ 1/8 page ad = \$3,000 per story, full page ad = \$10,000 per editorial.

⁴ Direct value of the lawsuit at \$99,000 and restoring permitting at \$50,000.

- Reversed a decision to withdraw leases in the Bridger-Teton National Forest, supported action on the 77 withdrawn leases, and continued legal action to enable leasing in Montana despite climate change challenges, for a value of all legal work of **\$533,000**.⁵
- Prevented non-producing acreage and inspection fees on public lands, for a cost avoidance of **\$101,438,791**.⁶

Total value to members: \$187,911,791

Stopped Adverse Legislation

- Working with other trades, stopped passage of \$41 billion in tax increases over ten years, about **\$1.025 billion** of which would have been levied on Rockies producers in 2011.⁷
- Fielded four witnesses before Congress for oversight hearings – **\$16,000**.⁸
- Released credible analysis and policy content to Congress and other stakeholders, such as the Western Oil and Natural Gas Dashboard, the Briefing Book, and twenty-four position papers, to ensure legislation is based on solid data – **\$170,000**.⁹
- Raised **\$31,200** for the Western Energy Alliance PAC and helped raise **\$38,600** in two fundraises to help elect members of Congress who understand energy.

Total value to members: \$1,025,255,800

Reduced Regulatory Burden

- Provided industry's voice in forty-nine high-value regulatory efforts - **\$518,000**.¹⁰
- Released the WRAP Phase III air emissions inventory for the Powder River Basin to provide industry and regulators with information needed to more effectively reduce air emissions at lower cost - **\$40,000**.¹¹
- Secured **\$1.125 million** for a Uinta Basin Wintertime Ozone Study from Anadarko, Bill Barrett Corp., EOG Resources, Gasco, Newfield, QEP Resources, and XTO Energy. The science will benefit producers in southwest Wyoming and other production basins that are currently or may experience wintertime ozone issues in the future. Secured Utah state funding of **\$250,000** to address air quality issues as well.

⁵ Includes the total costs of our two lawsuits, 77 leases amicus brief, pro bono legal work, the estimated value of the Bridger-Teton appeal, & the joint MPA/API/Western Energy legal intervention in the climate change lawsuit.

⁶ Calculated by multiplying the leases in effect, the percentages in production, and the fees.

⁷ Estimate of cost in President's budget, and assumed ¼ for the Rockies, split over ten years.

⁸ Cost of attending and preparing for hearings, as well as messaging value.

⁹ Estimated contracting costs to produced the detailed content.

¹⁰ Includes value of regulatory subscription efforts, contract costs, and estimations of consulting costs.

¹¹ WRAP Phase III contracting costs.

- Continued programmatic biological opinions for four fish species under the Endangered Species Act (ESA) for the Vernal, Utah field office and the West Slope of Colorado. The program eliminates the need for individual well consultations before each APD is approved, for **\$3,366,400** in cost avoidance.¹²

Total value to members: \$5,299,400

Networking & Member Education

- Mobilized over 4,071 hours of time from member executives and professionals in a variety of engineering, geologic, legal, regulatory, analytical, and other disciplines to address industry challenges for a value of **\$710,650**.¹³
- Brought together 1,600 industry leaders at 13 events, including diverse speakers and panelists covering industry trends, markets and policy.
- Increased our membership to nearly 400 member companies across 19 states.

Overall Value to Members: \$1,221,584,941

¹² Estimated cost of an ESA consultation multiplied by the number of APDs in the field offices.

¹³ Average hourly rate of \$150 for committee volunteers, and of \$250/hour for Board member work.